



Instr: 201002190005081
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Rick Campbell 1:44PM LEAS
Stark County Recorder T20100005011

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12/009-6

NON- DEVELOPMENT OIL & GAS LEASE

THIS LEASE, made this 24 day of NOVEMBER, 2009, by and between

Phillip N Elum
901 Burd Ave NE

Massillon, Ohio 44646

"Lessor", and *Divorced not remarried* Ohio Valley Energy Systems Corp., 200 Victoria Rd. Bldg. 4 Austintown, Ohio 44515 "Lessee", do agree:

1. Lessor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, grants and leases Lessee all the oil and gas in the lands described below, with the exclusive right to operate for, produce and market the same from a well or wells on other lands; the right to unitize Lessor's lands, or any portion, with other lands into a drilling unit of no more than one hundred sixty acres, together with the right to pool, reform, enlarge and/or reduce such pool, and repool all or any part or parts of the leased premises. This Lease is for five (5) years, and as long thereafter as operations are being conducted on any such unit or oil or gas can be produced in paying quantities in Lessee's judgment from any such unit. Lessee and Lessor agree that the term "operations" as defined in this Lease shall mean at which time Lessee has filed an Application for Drilling Permit with the Ohio Department of Natural Resources Division of Mineral Resources Management. This lease covers all of Lessor's land in or adjoining Section 5, City of Massillon, Stark County, State of Ohio, containing 1.35 acres, more or less, and described as follows: Parcel ID#(s) 0600741 Or further as Lot 11574 as described in Volume 1521, Page 103 of Stark County Records.
2. Lessor shall be paid as royalties a proportional share of one-eighth (1/8) of the proceeds realized by Lessee on all the oil and gas sold commercially off the unit, as the amount of Lessor's acreage in the unit bears to the total acreage in the unit. Lessee agrees to disperse all royalties monthly. Such proceeds shall be net of severance, ad valorem and any other taxes or charges levied against production. Lessor grants Lessee the authority to execute division orders or contract for the sale of gas or oil.
3. **No well shall be drilled on Lessor's property, nor shall Lessee enter upon or install any surface installation of any nature whatsoever on the leased property, the within Lease being granted solely for the purpose of permitting the Lessee to unitize the leased property with other properties, which other properties shall bear all the burden of surface development.** Lessor understands and gives consent that, due to slant (directional) drilling originating from surface entry on a parcel not owned by Lessor, the wellbore may pass through or terminate below the surface of Lessor's property. This directional drilling condition is granted exclusively to Lessee.
4. This lease shall be binding on all heirs, personal representatives, successors, and assigns of Lessor and Lessee. No change of ownership shall be binding on Lessee until Lessee has received adequate evidence of transfer. If the leased land is hereinafter owned in separate tracts, the premises, nevertheless, shall be treated as an entirety and all payments due shall be paid proportionally to each separate owner, and if Lessor owns less than the entire fee, Lessor shall be paid only his proportional share of any payment due. Lessee may at any time surrender this Lease in whole or in part.
5. Lessor hereby warrants and agrees to defend title to the land herein described and agrees that Lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed on or against the said lands and, in the event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself from any payments due hereunder. Should Lessee be delayed or prevented from complying with any express or implied covenant of this Lease, from conducting any drilling or any other operations, or from producing oil or gas therefrom by reason of the operation of force majeure or any federal, state or local law or regulation, or by reason of any other cause beyond the control of Lessee, then while so delayed or prevented, Lessee's obligations to comply with such covenant or obligation shall be suspended. The term, both primary and secondary, hereof shall be extended while Lessee is delayed or prevented by any such cause.
6. It is mutually agreed that this instrument contains and expresses all of the agreements and understandings of the parties in regard to the subject matter thereof, that no verbal representations or promises have been made or relied upon by either party which are not contained herein, and no implied covenants, agreements or obligation shall be read into this agreement or imposed upon either party.
7. Lessee agrees to make payment to Lessor a sum of \$700.00 payable upon drilling commencement activities (spudding).
8. Lessee agrees to lay a pipeline from the Elum Unit No. 1 Well located adjacent to the leased premises on property described as Parcel ID#(s) 0601666, 0611041. Lessor may take up to four hundred thousand (400,000) cubic feet of gas



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per year (July through June). In the event the owner of Parcel ID# 0600741 elects to use his free gas allotment, then Lessee's free gas allotment will be curtailed to two hundred thousand (200,000) cubic feet per year. This free gas allotment shall be limited for one building on the leased premises, subject to the use and the right of abandonment of the well by Lessee. Lessee shall install the pipeline and furnish regulators and other necessary equipment at Lessee's expense. Lessee shall install a meter to measure said gas. Lessor shall subscribe to and be bound by the reasonable rules and regulations of Lessee relating to the use of said gas, and Lessor shall maintain the said pipeline, regulators and equipment in good repair and free of all gas leaks and operate the same so as not to cause waste. Lessor's privilege of gas use as set forth herein is upon the condition that the taking of said gas shall not interfere with the normal daily operations of the well. Lessor's privilege to use gas as set forth herein may be limited in regard to the capability of the well, in the sole judgment of Lessee. Lessee and Lessor agree all gas in excess of the four hundred thousand (400,000) cubic feet shared with Parcel #0601666, 0611041 per year may be purchased at average annual wellhead price plus fifty cents per mcf to cover administrative expenses. Wellhead price shall be equal to that being received by Lessee for gas sales. If Lessor shall fail to pay for the gas, Lessee may deduct payment for such gas from royalties accruing to Lessor hereunder and said gas will be shut off. Lessor acknowledges that Lessor has been advised as to the risks inherent to the use of gas in this manner, and Lessor agrees to assume all risks associated therewith. Additionally Lessor agrees to hold Lessee and all interest owners of the Elum Unit No. 1 Well harmless from any claims of any nature whatsoever which may arise in connection with the use of said gas. Lessor further agrees that upon the sale or transfer of the leased premises, wherein someone other than Lessor is entitled to use gas under this paragraph, that the gas supply will be terminated by Lessee until the Buyer of the property or any successor to these rights to use or purchase said gas executes an agreement regarding the usage of the gas in the same form as the within agreement. In the absence of such an agreement the ability to use or purchase gas under this provision shall terminate. This provision shall be made subject to any objections, conditions, surcharges or restrictions imposed by any purchaser of gas produced from the Elum Unit No. 1 Well.

Lessor(s):

Phillip N. Elum

Phillip N. ELUM

Social Security #

STATE OF OHIO

COUNTY OF

Stark

)SS:

by

The foregoing instrument was acknowledged before me this 8 day of December, 2009

Phillip Elum

(Lessor).

My Commission Expires:

10-2-2010

Notary Public

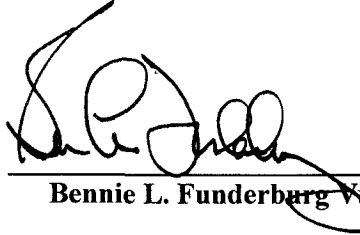
Monica R. Ford


This instrument prepared by:
Version 041307
022509
081709
091409
092109

Ohio Valley Energy Systems Corp.
200 Victoria Rd, Bldg 4
Austintown, OH 44515



MONICA FORD
Notary Public, State of Ohio
My Commission Expires 10-02-2010


Bennie L. Funderburg V.P. of Land


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CORPORATION ACKNOWLEDGEMENT

STATE OF OHIO

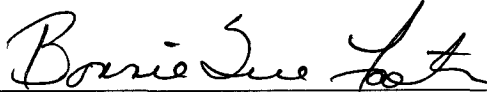
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COUNTY OF MAHONING

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BEFORE ME, a Notary Public, in and for said County and State, on this day personally appeared Bennie L. Funderburg V.P. of Land known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged that the same was the act of the said V. P. of Land for Ohio Valley Energy Systems Corp. a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

In Testimony Whereof, I have hereunto set my hand and official seal, at Austintown Township, Ohio. This 10 day of December, 2009.



Notary Public

My Commission Expires:



BONNIE SUE FOSTER, NOTARY PUBLIC
In and for the State of Ohio
My Commission Expires July 4, 2011